BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF HAWAII

In the Matter of PUBLIC UTILITIES COMMISSION Instituting a Proceeding to Investigate Implementing a Decoupling Mechanism for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited	DOCKET NO. 2008-0274

BLUE PLANET FOUNDATION'S JOINDER AND SUPPLEMENTAL FINAL STATEMENT OF POSITION

AND

CERTIFICATE OF SERVICE

SCHLACK ITO LOCKWOOD PIPER & ELKIND
Douglas A. Codiga, Esq.
Topa Financial Center
745 Fort Street, Suite 1500
Honolulu, Hawaii 96813
Tel. (808) 523-6047

Attorney for Blue Planet Foundation

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Blue Planet Foundation ("Blue Planet"), by and through its attorneys Schlack Ito Lockwood Piper & Elkind, hereby submits its Final Statement of Position ("FSOP") in this matter.

I. JOINDER AND SUMMARY OF POSITION

For purposes of its FSOP, Blue Planet hereby joins the "Haiku Design and Analysis Final Statement of Position" dated May 11, 2009 ("HDA FSOP"). The Procedural Order[1] includes a Statement of the Issues which lists eleven numbered issues. *Id.* at 2-4 ("Statement of Issues"). Blue Planet joins the HDA FSOP in its entirety insofar as it responds to the Statement of Issues.

Blue Planet also reaffirms and adopts by reference the positions as set forth in its Opening Statement of Position filed March 30, 2009 ("Blue Planet OSOP"). In its Opening Statement of Position, Blue Planet similarly adopted the Haiku Design and Analysis Opening

[1] Order Approving, With Modifications, Stipulated Procedural Order Filed on December 26, 2008 filed Jan. 21, 2008.

Statement of Position insofar as applicable to the Statement of Issues, and in addition submitted supplemental responses to issues nos. 2 and 4 of the Statement of Issues.[2] Blue Planet's position as set forth in these supplemental responses may be briefly summarized as follows:

- The rapid adoption of renewable energy in the State of Hawaii ("Rapid Adoption Objective"), as noted in section 28 of the Energy Agreement[3] and State law, is an important objective of any decoupling mechanism adopted by the Commission in this proceeding, and the Commission should favor decoupling mechanism design features that support this objective. *See* Blue Planet OSOP at 2-4.
- Similarly, increased energy efficiency ("Energy Efficiency Objective") is an equally important objective and the Commission should likewise favor decoupling mechanism that supports this objective. *See* Blue Planet OSOP at 4-5.
- Blue Planet favors adoption of a decoupling mechanism that is simple, transparent, and easily understood by ratepayers. Blue Planet promotes energy efficiency and conservation through a variety of public outreach and education initiatives. Public support for clean energy initiatives as critical to achieving the economic and environmental benefits of Hawaii's swift transition to a clean energy economy. *See* Blue Planet OSOP at 5.

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[2] "2. Whether the decoupling mechanism(s) will result in accelerating the addition of new, clean energy resources in the HECO Companies' systems, while giving the HECO Companies an opportunity to achieve fair rates of return? . . . 4. How will decoupling impact the utilities, their customers, and the clean energy market?" Procedural Order at 3.

[3] *Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies* dated Oct. 20, 2008 ("Energy Agreement").

- Finally, Blue Planet favors adoption of a decoupling mechanism that includes performance indices, i.e., formal measures designed to demonstrate, in quantifiable terms to the extent reasonably possible, the extent of the HECO Companies' progress in achieving the Energy Agreement's renewable energy and energy efficiency objectives, and linking such performance to any Revenue Adjustment Mechanism ("RAM") adopted in this proceeding. *See* Blue Planet OSOP at 6-7.

II. SUPPLEMENTAL COMMENTS AND STATEMENTS OF POSITION

Subsequent to the parties filing Opening Statements of Position on March 30, 2009, the parties submitted and/or responded to Information Requests and participated in a Technical Workshop and Settlement Discussions. Based upon this subsequent information and analysis, Blue Planet provides the following supplemental comments and statements of position on selected issues in this proceeding.

A. Performance Indices Should Not Be Excluded.

For the reasons set forth in its Opening Statement of Position (as well as the reasons provided by HDA and the Department of Business, Economic Development, and Tourism in their submissions), Blue Planet continues to favor the adoption of performance indices used in conjunction with the proposed RAM to promote implementation of the Energy Agreement goals.

In their response to PUC-IR-2 filed March 30, 2009, the HECO Companies[4] seek to exclude service quality provisions, and presumably also performance indices, in part because such provisions are not "not commonly found" in revenue decoupling plans. *Id.* at 1. This argument is not persuasive to the extent the adoption and implementation of the Hawaii Clean

[4] Hawaiian Electric Company, Inc.; Maui Electric Company, Limited; and Hawaii Electric Light Company, Inc.

Energy Initiative represents significant and complex obligations unique to Hawaii. As the HECO Companies have stated in this proceeding:

> Utilities in other jurisdictions have implemented decoupling in a "business as usual" operating environment amid declining sales; but never, to the HECO Companies' knowledge, have taken on the risks associated with the numerous massive and substantial projects similar to those called for in the HCEI Agreement at the same time.

HECO Companies' "Responses to Questions in Appendix 2 of the NRRI Scoping Paper" dated Feb. 20, 2009, App. 2, Question 7 at 1 (emphasis added). Performance indices may be especially appropriate to the extent Hawaii's decoupling mechanism is not adopted in a "business as usual" environment.

The HECO Companies also seek to exclude service quality provisions based upon the length of time between rate cases, suggesting that cost containment sufficient to possibly impact service quality is likely to occur only if the length of time between rate cases is four years or longer, and note that three-year RAMs in California generally have not involved service quality provisions. *Id.* The HECO Companies have indicated, however, that the next HECO rate case is anticipated to be filed in 2010. *See* HECO Companies' Response to Information Requests filed Mar. 30, 2009, PUC-IR-6 at 2. Similarly, the Joint Proposal[5] proposes a "second round of rate cases, to occur in 2011 through 2012," followed by a "three-year sales decoupling cycle[.]" Joint Proposal at 25-26. Thus, the length of time between rate cases appears to lend little support to the HECO Companies' opposition to service quality provisions or performance indices.

Finally, the HECO Companies suggest that the proposed earnings sharing mechanism would, by sharing any surplus earnings with customers, "weaken incentives to take

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[5] HECO Companies and Consumer Advocate, "Joint Proposal on Decoupling and Statement of Position of the HECO Companies and the Consumer Advocate" filed March 30, 2009.

extreme cost containment measures that could jeopardize quality." *Id.* Although this contention may be relevant to service quality provisions directly related to cost containment, it provides no basis for the exclusion of performance indices.

Thus, although the HECO Companies view service quality provisions (and presumably performance indices) as an "unnecessary complication,"[6] Blue Planet submits that performance indices are entirely appropriate given the direct connection, as spelled out in the Energy Agreement, between decoupling and achievement of the Energy Agreement objectives. The HECO Companies have repeatedly affirmed in this proceeding that decoupling is designed to "maintain the Companies financial health and enable them to undertake the commitments made under the HCEI Agreement." HECO Companies' Responses to Questions in Appendix 2 of the NRRI Scoping Paper dated Feb. 20, 2009, App. 2, Question 2 at 2. Performance indices are an appropriate means of gauging the HECO Companies' "financial health" relative to completion of the Energy Agreement commitments.

Blue Planet therefore continues to recommend further consideration by the parties to this proceeding of the following potential performance metrics: (1) the number of new net energy metered customers interconnected to the system during the year; (2) the increase in nonfossil-based kilowatt-hour generation during the year; (3) the increase in the number of customers signed up in the Pay-as-You-Save Solar Program during the year; (4) the amount of new renewable energy (kilowatt-hours) purchased through the feed-in tariffs during the year; (5) the decrease in the amount of fossil oil used during the year; and (6) the increase in the energy savings (kWh) resulting from energy efficiency programs and demand-side programs. *See* Blue Planet Foundation's Response to the Division of Consumer Advocacy's Information Requests Dated April 6, 2009 dated April 15, 2009 at 1-2.

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[6] *See* HECO Companies' Response to Information Requests filed Mar. 30, 2009, PUC-IR-2 at 3.

B. ECAC and the Rapid Adoption of Renewable Energy Objective.

Blue Planet submits that comments set forth in the HDA FSOP concerning the Energy Cost Adjustment Clause ("ECAC") and renewable energy should be evaluated by the Commission in light of the Rapid Adoption Objective mentioned above and more fully described in Blue Planet's Opening Statement of Position. *See* Blue Planet OSOP at 2-4.

HDA proposes changing the ECAC reconciliation to full pass through of generation expenses and suggests such a straight fuel cost pass through would decouple utility earnings from resource commitment and curtailment decisions. HDA FSOP at 13-14. Potential conflicts may arise between the Rapid Adoption Objective, which requires the HECO Companies to add renewable generation to the utility systems, and the most efficient thermodynamic operation of the HECO Companies' generation units. Any such conflicts could expose the HECO Companies to financial risk which would be reduced by changing ECAC to a full pass through. *Id.* Thus, adopting the proposal to change ECAC to a full pass through of generation expenses may support the Rapid Adoption Objective, which Blue Planet submits is an important if not overriding objective of this proceeding insofar as decoupling serves to implement the Energy Agreement.

Similarly, a straight fuel cost pass through may decouple utility earnings from operation reserve capacity decisions. HDA FSOP at 14. The existing ECAC provides an incentive for the utilities to minimize operation reserve capacity. Adding intermittent renewable generation resources to utility systems, however, may require increased operating reserve capacity. *Id.* As with resource commitment and curtailment decisions, ECAC with full pass through may reduce the HECO Companies' financial risk associated with providing sufficient operation reserves to accommodate intermittent renewable generation, thereby further supporting the Rapid Adoption Objective.

DATED: Honolulu, Hawaii, May 11, 2009.

DOUGLAS A. CODIGA
Attorney for Blue Planet Foundation

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this date a copy of the foregoing document was duly served upon the following individuals by placing a copy of same in the United States Mail, postage prepaid, and/or by electronic service, as follows:

Catherine P. Awakuni Executive Director Division of Consumer Advocacy 335 Merchant Street, Room 326 Honolulu, Hawaii 96813	2 Copies by U.S. Mail and Electronic Service
Dean K. Matsuura Manager, Regulatory Affairs Hawaiian Electric Company, Inc. Hawaii Electric Light Company, Inc. Maui Electric Company, Ltd. P. O. Box 2750 Honolulu, Hawaii 96840-0001	Electronic Service
Jay Ignacio President Hawaii Electric Light Company, Inc. P. O. Box 1027 Hilo, Hawaii 96721-1027	Electronic Service

Edward L. Reinhardt | Electronic Service
President
Maui Electric Company, Limited
P. O. Box 398
Kahului, Hawaii 96733-6898

Thomas W. Williams, Jr., Esq. | Electronic Service
Peter Y. Kikuta, Esq.
Damon Schmidt, Esq.
Goodsill Anderson Quinn Stifel LLC
1099 Alakea Street, Suite 1800
Honolulu, Hawaii 96813

Attorneys for Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.

Randall J. Hee, P.E. | Electronic Service
President and CEO
Kauai Island Utility Cooperative
4463 Pahe`e Street, Suite 1
Lihui, Hawaii 96766-2000

Timothy Blume | Electronic Service
Michael Yamane
Kauai Island Utility Cooperative
4463 Pahe`e Street, Suite 1
Lihue, Hawaii 96766-2000

Kent T. Morihara, Esq. | Electronic Service
Kris N. Nakagawa, Esq.
Rhonda L. Ching, Esq.
Morihara Lau & Fong LLP
841 Bishop Street, Suite 400
Honolulu, Hawaii 96813

Attorneys for Kauai Island Utility Cooperative

Warren S. Bollmeier, II | Electronic Service
President
Hawaii Renewable Energy Alliance
46-040 Konane Place 3816
Kaneohe, Hawaii 96744

Carl Freedman
Haiku Design & Analysis
4234 Hana Highway
Haiku, Hawaii 96708

Electronic Service

Gerald A. Sumida, Esq.
Tim Lui-Kwan, Esq.
Nathan C. Smith, Esq.
Carlsmith Ball LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, Hawaii 96813

Electronic Service

Attorneys for Hawaii Holdings, LLC,
dba First Wind Hawaii

Mike Gresham
Hawaii Holdings, LLC, dba First Wind Hawaii
3 Lono Avenue, Suite 380
Kahului, Hawaii 96732

Electronic Service

Deborah Day Emerson, Esq.
Gregg J. Kinkley, Esq.
Deputy Attorney General
Department of the Attorney General
State of Hawaii
425 Queen Street
Honolulu, Hawaii 96813

Electronic Service

Attorneys for the Department of Business,
Economic Development, and Tourism

Mark Duda
President
Hawaii Solar Energy Association
P. O. Box 37070
Honolulu, Hawaii 96837

Electronic Service

DATED: Honolulu, Hawaii, May 11, 2009.

DOUGLAS A. CODIGA
Attorney for Blue Planet Foundation